STATUS AND RELATED FISCAL IMPACT OF CITY OF MIAMI BEACH FRINGE BENEFITS

April 15, 2015

2014 CHARTER AMENDMENT

Pursuant to the November 4, 2014 amendment to Article V of the City's Charter:

"Within the 6 months preceding the City Commission's ratification of Collective Bargaining Agreements with the respective labor unions, the Commission shall consider at public hearing a written report presented by the City Manager or his designee/City Budget Director, detailing current status and related fiscal impact of fringe benefits, including pension and health insurance plans, provided by the City to its officers and employees."

BENEFITS PROVIDED

- Pension
- Insurance (health, dental, vision, life, accidental death and dismemberment)
- Other

PENSION BENEFITS

PENSION BENEFITS

<u>Defined Benefit (DB) Pension Plans:</u>

- DB plan pays pension benefit to employee from start of retirement through end of life, and to any surviving qualified beneficiary
- Benefit based on set formula
- City makes actuarially determined contribution to plan
- Employee may pay percentage of salary into DB plan
- City retains risk of investment return and longevity

Current CMB DB Pension Plans:

- Fire & Police Pension Plan
- Miami Beach Employees' Retirement Plan (MBERP)



DEFINED BENEFIT PLAN

Potential factors to consider regarding the health of a defined benefit plan:

- Amount of unfunded actuarial accrued liability (UAAL)
- Amount of net pension liability (NPL)
- City's annual required contribution (ARC) as a % of payroll
- Experience gains and losses
- Trends



UNDERSTANDING THE CITY PLANS PENSION LEGACY COST (THE UAAL ISSUE)

- <u>Unfunded</u> Actuarial Accrued Liability (UAAL) is based on existing employees – changes to benefits for new employees do not impact UAAL
- Annual UAAL payment is more than half of the annual required contribution in each plan – these take many years to pay off
- By law, the City is responsible for funding the UAAL even if employees are transferred to other employers, and even if the current pension plans are closed, frozen or terminated

UNDERSTANDING THE CITY PLANS' NET PENSION LIABILITY

- Net pension liability is the difference between the projected pension liability of a plan and the market value of the assets
- The total pension liability (or pension benefit obligation) is the present value of projected future entitlements under the plan

In order to calculate the total amount that will be paid in the future for plan members, actuary estimates for member:

- Expected retirement date
- How much paid over remaining lifetime after retirement
- How long they will live

The total value of these benefits is then "present valued" to current dollars to determine the total pension liability (actuarial accrued liability).



UNDERSTANDING THE CITY PLANS' PENSION LEGACY COST

Net pension liability of City's pension plans as of 9/30/14:

	Fire/Police	MBERP*
Total pension liability:	\$991.5 M	\$679.5 M
Market value of assets:	\$769.3 M	\$516.4 M
Net pension liability:	\$222.2 M	\$163.1 M
Net position:	77.59%	75.99%

Total combined net pension liability for both plans: \$385.3 M

Total UAAL of pension plans as of 10/1/13 valuation: \$501 M, comprised of \$292 M (Fire & Police) and \$209 M (MBERP)

*MBERP NPL data based on draft financial statements

INVESTMENT RATE OF RETURN FOR THE CITY'S PENSION PLANS

	Fire & Police				MBERP	
Average Return Period	Market Value Yield	Smoothed Actuarial Value Yield	Assumed Rate of Return*	Market Value Yield	Smoothed Actuarial Value Yield	Assumed Rate of Return*
5-Year Average	8.7%	4.7%	8.2%	8.3%	3.3%	8.3%
10-Year Average	7.3%	5.8%	8.3%	7.2%	5.0%	8.5%

^{*}Both plans have reduced their assumed rate of return. As of the 10/1/13 valuation, both plans have an assumed rate of return of 8%. Plan funding requirements are based on the smoothed actuarial value yield.

MAMIBEACH

^{**}Figures based on 10/1/13 valuation reports

15-YEAR UAAL HISTORY FOR THE CITY'S PENSION PLANS

	Fire & Police				MBER	P	
Actuarial Valuation	Unfunded Actuarial Accrued		· · · · · · · · · · · · · · · · · · ·		funded Actuarial	Funded	
Date		ability (UAAL)	Ratio		(UAAL)	Ratio	
10/1/1999	\$	-	100.0%	\$	(41,882,997)	115.9%	
10/1/2000	\$	(9,709,578)	102.5%	\$	(48,882,997)	117.6%	
10/1/2001	\$	(11,319,819)	102.9%	\$	(43,276,278)	114.8%	
10/1/2002	\$	23,821,489	94.4%	\$	(2,349,854)	100.7%	
10/1/2003	\$	57,866,674	87.6%	\$	18,850,732	94.4%	
10/1/2004	\$	93,949,211	81.7%	\$	31,369,303	91.1%	
10/1/2005	\$	94,227,066	82.9%	\$	42,369,322	88.5%	
10/1/2006	\$	111,413,152	80.9%	\$	90,474,329	79.8%	
10/1/2007	\$	136,998,684	78.4%	\$	65,243,594	86.4%	
10/1/2008	\$	176,368,131	78.2%	\$	100,767,021	80.9%	
10/1/2009	\$	266,792,988	66.0%	\$	125,016,843	77.1%	
10/1/2010	\$	291,931,506	64.3%	\$	148,766,860	74.4%	
10/1/2011	\$	339,297,448	61.1%	\$	176,796,453	70.7%	
10/1/2012	\$	357,710,800	60.4%	\$	210,827,698	66.7%	
10/1/2013	\$	292,005,152	69.4%	\$	208,884,470	67.9%	

CURRENT PLAN STATUS FIRE AND POLICE PENSION PLAN

As of 10/1/13 Valuation (FY 2014/15 Budget)	Fire & Police Pension
City's Annual Required Contribution (ARC) Pension Bond Payment	\$33,028,839 \$ 4,657,929
Total Annual City Payments	\$37,686,768
City's ARC as a % of Payroll - Normal Cost - Amortization of Unfunded Liability City DB Plan Contribution as a % of Payroll	25.58% 44.45% 70.03%
Total City Contribution as a % of Payroll (Includes Bond Payment)	79.91%
Average City Contribution per Active Member	\$82,286

CURRENT PLAN STATUS MBERP

As of 10/1/13 Valuation (FY 2014/15 Budget)	MBERP
City's Annual Required Contribution (ARC) Pension Bond Payment	\$26,456,580 \$ 511,804
Total Annual City Payments	\$26,968,384
City's ARC as a % of Payroll	
- Normal Cost	10.46%
- Amortization of Unfunded Liability- Interest	28.10% 3.09%
City DB Plan Contribution as a % of Payroll	41.65%
Total City Contribution as a % of Payroll (Includes Bond Payment)	42.45%

Average City Contribution per Active Member \$26,596

POLICE AND FIRE 10-YEAR ARC PROJECTION (Based on 10/1/13 Valuation Report)

Fiscal Year Ending	,	ARC	% of Payroll Excluding Bond	F	Bond Payment	AR	Total cluding C & Bond ayment	% of Payroll Including ARC & Bond
9/30	(Millions)	Payment		Millions)		Millions)	Payment
2015	\$	33.029	70.0%	\$	4.658	\$	37.687	79.9%
2016	\$	32.994	68.1%	\$	4.646	\$	37.640	77.7%
2017	\$	33.461	65.8%	\$	4.654	\$	38.115	74.9%
2018	\$	33.180	63.1%	\$	4.642	\$	37.822	71.9%
2019	\$	33.688	62.0%	\$	4.608	\$	38.296	70.5%
2020	\$	34.527	61.8%	\$	4.546	\$	39.073	69.9%
2021	\$	35.234	61.9%	\$	1.337	\$	36.571	64.2%
2022	\$	35.999	62.0%	\$	-	\$	35.999	62.0%
2023	\$	37.011	62.6%	\$	-	\$	37.011	62.6%
2024	\$	37.910	62.9%	\$	-	\$	37.910	62.9%
2025	\$	38.933	63.5%	\$	-	\$	38.933	63.5%
2034	\$	43.516	65.7%	\$	-	\$	43.516	65.7%

- 1. Projections made assuming plan assumptions are met each year
- 2. 2005 Series Pension Bonds will be paid off on 9/1/2021



MBERP 10-YEAR ARC PROJECTION (Based on 10/1/13 Valuation Report)

Fiscal Year Ending 9/30	(1)	ARC ⁄Iillions)	% of Payroll Excluding Bond Payment	ı	Bond Payment	P P	Total uding ARC & Bond ayment Millions)	% of Payroll Inluding Bond Payment
2015	\$	26.457	41.7%	\$	511,804	\$	26.969	42.5%
2016	\$	27.323	41.8%	\$	510,471	\$	27.833	42.5%
2017	\$	27.413	40.7%	\$	511,330	\$	27.924	41.4%
2018	\$	24.782	35.7%	\$	510,085	\$	25.292	36.4%
2019	\$	24.260	33.9%	\$	506,295	\$	24.766	34.6%
2020	\$	24.099	32.7%	\$	499,540	\$	24.599	33.4%
2021	\$	23.972	31.6%	\$	146,891	\$	24.119	31.8%
2022	\$	23.850	30.5%	\$	-	\$	23.850	30.5%
2023	\$	23.747	29.5%	\$	-	\$	23.747	29.5%
2024	\$	23.649	28.5%	\$	-	\$	23.649	28.5%
2025	\$	23.572	27.6%	\$		\$	23.572	27.6%

- 1. Projections made assuming plan assumptions are met each year
- 2. 2005 Series Pension Bonds will be paid off on 9/1/2021



MEMBERSHIP IN DB PENSION PLANS

Fire & Police	MBERP
458 Active members	1014 Active members
69 DROP members	56 DROP members
627 Retirees & beneficiaries	1055 Retirees & beneficiaries
15 Terminated vested members	<u>69</u> Terminated vested members
1169	2194

The actuarial accrued liability as of 10/1/13 for both plans is primarily related to retirees, as shown below:

	Fire & Police	MBERP
Liability for retired, terminated (vested), beneficiaries, etc.	\$750.81 M	\$450.88 M
Accrued/future benefits for active employees	\$204.43 M	\$295.46 M
Total actuarial accrued liability (AAL)	\$955.24 M	\$746.34 M

*As of 10/1/13 valuation report

KEY DRIVERS OF PENSION COSTS FOR EXISTING DB PLANS

- Retiree cost of living adjustments (COLAs)
- Multiplier
- Salary growth
- Pensionable pays/overtime
- Final average monthly earning (FAME)
- Age of retirement
- Experience gains or losses

SOCIAL SECURITY EXCLUSION

- City employees who are covered by City retirement plans are now excluded from social security coverage in accordance with federal law
- The social security exclusion can continue as long as City retirement plans meet minimum benefit requirements set by federal law
 - Minimum benefits for <u>Defined Benefit (DB) Plan</u>:
 - 1.5% multiplier with 36-month (or shorter) average final compensation; or 1.6% with 60-month (or shorter) average final compensation; or 2% with any average final compensation
 - Compensation = Base Pay
 - Age 65 Retirement Age (or earlier)
 - Minimum benefits for <u>Defined Contribution (DC) Plan</u>:
 - -7.5% contribution (employee or employer)
 - Compensation = Base Pay

RETIREMENT ACCOUNTS

Defined Contribution (DC) Retirement Accounts:

- City or premium tax revenues pay percentage into employee DC account
- Employee may pay percentage of salary into DC account
- Retiree or beneficiary receives benefits until DC funds exhausted
- Employee usually determines how to invest DC funds
- Employee retains risk of future investment returns and longevity

City's DC Retirement Accounts:

- 401(a) [legacy retirement account]
- Firefighters' pension relief fund ("175 share plan")
- Police officers' pension relief fund ("185 share plan")

Note: A limited number of employees also have 457(b) deferred retirement accounts in which an amount is funded by the City.



175/185 SHARE PLANS FOR SWORN PERSONNEL

175/185 share plans funded by rebate of excise tax on property and casualty insurance premiums. Must be used exclusively for fire and police pensions.

- 2014 premium tax revenues = \$2.4 million
- \$120,549 used to offset City pension contribution; remaining \$2.28 million went to fire and police share plans to provide additional benefits. As of 9/30/14:
 - Average sworn fire member with 20+ years of service has a balance of \$165,000 in 175 share plan account
 - Average sworn police member with 20+ years of service has a balance of \$33,000 in 185 share plan account

PENSION POLICIES AND GUIDELINES*

1. Affordability and Sustainability

- Current percent of payroll guideline for benefit re-negotiation: 25% for general and 60% for high risk
- Funded ratio (actuarial value of assets minus actuarial liabilities)
 guideline: 70%+, should strive for 80%+
- Salary growth guideline: not to exceed assumed salary growth
- 5, 10 and 20 year ARC projections required
- Independent review of assumptions once every 3 years
- Fund at least the normal cost of pension even when ARC is less than normal cost

PENSION POLICIES AND GUIDELINES*

2. Appropriate Benefits to Provide Employees

- Provide benefit equivalent to Social Security plus a supplemental benefit
- Adjust benefits periodically to reflect inflation, with a maximum of 3% annually

3. Recruitment and Retention

Provide competitive retirement benefits

4. Management of Risk/Risk Sharing

- Share some portion of risk with employees
- Current percent of payroll guideline for re-negotiation of employee contribution rate: 25% for general and 60% for high risk employees

HEALTH BENEFITS

GENERAL EMPLOYEES' PLANS (Self-funded)

- Standard Health Maintenance Organization (HMO)
- Premium HMO
- Standard Preferred Provider Organization (PPO)
- Premium PPO
- Point of Service (POS)

INSURED ACTIVE GENERAL EMPLOYEES 2014/15 PLAN YEAR

Plan	Members (As of 4/8/15)	City Annual Premium Cost Per Employee	Employee Annual Premium Cost	% City Subsidy
Standard HMO Single	4.50	327 12565.74	\$1,688	77%
to Secondary Comby	393		\$6,082	67%
Premium HMO Single	19	\$7,384	\$7,384	50%
Premium HMO Family	6	\$18,307	\$18,307	50%
Standard PPO Single	16	\$5,551	\$5,551	50%
Standard PPO Family	8	\$13,623	\$13,623	50%
Premium PPO Single	7	\$7,060	\$7,060	50%
Premium PPO Family	2	\$1 <i>7</i> ,323	\$1 <i>7</i> ,323	50%
POS Single	1	\$ <i>7</i> ,512	\$7,512	50%
POS Family	1	\$18,641	\$18,641	50%
Active Employees	989	***		
Total Annual City Premium Cost:	\$8,342,214			
Annual Average City Premium Cost per Employee:	\$8,435			

Note: Contracts require that the City will continue to pay at least 50% of the cost of premium plans



INSURED GENERAL RETIREES 2014/15 PLAN YEAR (BY PLAN)

Health Plan	Members (As of 4/8/15)	Coverage Level	City Annual Premium Cost	Retiree Annual Premium Cost	% City Subsidy
Standard HMO					
	98	Pre-medicare Retiree Only	\$3,667	\$3,667	50%
	2	Pre-medicare Retiree and Pre-medicare Dependent(s)	\$9,093	\$9,093	50%
	0	Pre-medicare Retiree and Medicare Dependent	\$3,667	\$3,667	50%
	0	Medicare Retiree & Pre-medicare Dependent	\$3,667	\$3,667	50%
Premium HMO	·				
	36	Pre-medicare Retiree Only	\$5,908	\$8,861	40%
	0	Pre-medicare Retiree and Pre-medicare Dependent(s)	\$14,464	\$21,969	40%
	0	Pre-medicare Retiree and Medicare Dependent	\$5,908	\$8,861	40%
	1	Medicare Retiree & Pre-medicare Dependent	\$5,908	\$8,861	40%
Total Covered by HMO	137				

INSURED GENERAL RETIREES 2014/15 PLAN YEAR (BY PLAN)

Health Plan	Members (As of 4/8/15)	Coverage Level	City Monthly Annual Cost Per Retiree	Retiree Annual Premium Cost	% City Subsidy
Standard PPO					
	18	Pre-medicare Retiree Only	\$4,996	\$6,106	45%
	0	Pre-medicare Retiree plus Pre-medicare dependent(s)	\$12,260	\$14,985	45%
	59	Medicare Retiree Only	\$3,797	\$4,641	45%
	11	One Pre-medicare & one Medicare	\$8,543	\$10,442	45%
	0	One Medicare & 2 + Pre-medicare	\$10,704	\$13,082	45%
	28	Medicare Retiree & Medicare Spouse	\$7,594	\$9,281	45%
	2	Medicare Retiree and Spouse plus Pre-medicare dependent(s)	\$9,754	\$11,922	45%
Premium PPO					
	16	Pre-medicare Retiree Only	\$4,236	\$9,884	30%
	0	Pre-medicare Retiree and Pre-medicare Dependent(s)	\$10,394	\$24,253	30%
	75	Medicare Retiree Only	\$3,228	\$7,533	30%
	6	One Pre-medicare and One Medicare	\$7,263	\$16,946	30%
	0	One Medicare andTwo or More Pre-medicare	\$9,099	\$21,232	30%
	24	Medicare Retiree and Medicare Spouse	\$6,456	\$15,063	30%
	1	Medicare Retiree and Spouse plus Pre-medicare Dependent(s)	\$8,293	\$19,349	30%
Total Covered by PPO	240				



INSURED GENERAL RETIREES 2014/15 PLAN YEAR (BY PLAN)

Health Plan	Members (As of 4/8/15)	Coverage Level	City Annual Premium Cost Per Retiree	Retiree Annual Premium Cost	% City Subsidy
POS				*.	
	5	Pre-medicare Retiree Only	\$7,512	\$7,512	50%
	0	Pre-medicare Retiree and Pre-medicare Dependent(s)	\$18,636	\$18,641	50%
	5	Medicare Retiree Only	\$4,632	\$6 ,953	40%
	0	One Pre-medicare and One Medicare	\$10,428	\$15,645	40%
	0	One Medicare and Two Pre-medicare	\$15,348	\$23,016	40%
	6	Medicare Retiree and Medicare Spouse	\$9,276	\$13,906	40%
	0	Medicare Retiree and Spouse and Pre-medicare Dependent(s)	\$12,060	\$18,089	40%
Total Covered by POS	16				
General Plan Retirees	393				
Total Annual City Premium for General Retirees	\$1,869,322				
Average Annual City Premium for General Retirees	\$4,757				



GENERAL RETIREES' SUBSIDY

Any employee hired on or after September 6, 2006, upon retirement is eligible for a benefit of up to \$3,000 per year until age 65 depending on years of service and up to \$1,500 per year after age 65.

FOP HEALTH TRUST – ACTIVE EMPLOYEES AND RETIREES (2015 Calendar Year)

Health Plan	Members (As of 4/8/15)	Coverage Level	City Annual Premium Cost Per Member	M ember Annual Premium Cost	% City Subsidy
FOP Health Trust					
	111	Single	\$ 6,693	\$1,532	81%
	238	Family	\$16,407	\$4,644	78%
	56	Pre-medicare Single	\$6,169	\$332	95%
	138	Pre-medicare Family	\$15,122	\$4,644	77%
	12	Single Medicare	\$6,169	\$332	95%
	15	Medicare Retiree and Pre-medicare Dependen	\$15,122	\$3,444	81%
	21	Medicare Retiree and Dependents	\$15,122	\$2,244	87%
Total FOP Members	591				
Active Members	349				
Annual City Premium Cost for Active Members	\$4,647,816				
Average Annual City Premium Cost Per Active Member	\$13,318				
Retiree Members	242				
Annual City Premium Cost for Retiree Members	\$3,050,695				
Average Annual City Premium Cost Per Retiree Member	\$12,606				



IAFF HEALTH TRUST – ACTIVE EMPLOYEES AND RETIREES (2015 Calendar Year)

Health Plan	Members (As of 4/8/15)	Coverage Level	City Annual Premium Cost Per Member	Annual Premium Cost Per M ember	% City Subsidy
IAFF Health Trust					
	59	Single	\$6,804	\$480	93%
	35	Employee plus One	\$16,697	\$31,392	86%
	95	Family	\$16,697	\$35,568	85%
	40	Retiree Single	\$6,804	\$5,760	93%
	69	Retiree and One Dependent	\$15,389	\$1,308	92%
	64	Retiree and Two or More Dependents	\$15,389	\$2,964	84%
Total IAFF Members	362				
Active Members	189				
Annual City Premium Cost for Active Members	\$2,572,070				
Average Annual City Premium Cost Per Active Member	\$13,609				
Retiree Members	173				
Annual City Premium Cost for Retiree Members	\$2,318,915				
Average Annual City Premium Cost Per Retiree Member	\$13,404				



FOP AND IAFF HEALTH TRUST RETIREES' SUBSIDY

Any employee hired on or after July 14, 2010, upon retirement is eligible for a benefit of up to \$300 per year of service, subject to an annual increase based on the Miami-Ft. Lauderdale All Urban Consumer Price Index as of September 30th of each fiscal year.

PLAN SUBSIDIES

Plan	Member Count (As of 4/8/15)	Annual Average Premium Cost to City Per Member	Difference in Average Premium Contributions
General			
Employees	989	\$8,435	
Retirees	393	\$4,757	
FOP Health Trust			
Employees	349	\$13,318	58%
Retirees	242	\$12,606	165%
IAFF Health Trust			
Employees	189	\$13,609	61%
Retirees	1 <i>7</i> 3	\$13,404	182%

POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) LIABILITY

Pursuant to Section 112.08, Florida Statutes, the City is required to permit eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retirees that is no greater than the cost at which coverage is available for active employees. On September 30, 2008, the City established an OPEB Trust (the Trust) and began funding its OPEB obligation. Stand-alone financial statements for the Trust are not prepared.

On October 1, 2012, the date of the most recent actuarial valuation, plan participation consisted of:

OPEB plan participants 1,941 Retirees receiving benefits 1,175

POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) LIABILITY

Trend Information:

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due, as follows:

Year Ended	Annual		% of Annual OPEB	Net OPEB
September 30,	OPEB Cost	Contribution	Cost Contributed	Obligation
2012	\$ 19,064,000	\$ 11,104,000	58%	\$ 30,835,000
2013	16,212,000	8,314,000	51	38,733,000
2014	17,351,000	8,882,000	51	47,202,000

Funded Status and Funding Progress:

					UAAL as a % of		
		Actuarial			Participants'	Participants'	
Valuation	Actuarial Value	Accrued	Unfunded AAL	Funded	Covered	Covered	
Date	of Assets	Liability (AAL)	(UAAL)	Ratio	Payroll	Payroll	
10/1/2013	\$ 22,167,000	\$ 203,809,000	\$ 181,642,000	10.9%	\$107,951,095	168.3%	



OTHER INSURANCE BENEFITS

OTHER INSURANCE BENEFITS

- Dental Insurance (City subsidizes 50% of the premium cost)
 - Safeguard DHMO Plan
 - Metlife PPO Plan
- EyeMed Vision Plan (included in health insurance premium)
- Life Insurance
 - City subsidizes 100% of the premium for one year's salary worth of coverage
- Accidental Death and Dismemberment
 - The City bears the full cost of the premium
 - Maximum benefit is \$20,000

OTHER BENEFITS

OTHER BENEFITS

Other payroll related benefits

Other non-payroll related benefits

QUESTIONS/OPEN DISCUSSION